ILLINOIS POWER COMPANY

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01- 0432

REBUTTAL EXHIBITS SPONSORED BY JACQUELINE K. VOILES

OCTOBER 10, 2001

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PREPARED REBUTTAL TESTIMONY OF JACQUELINE K. VOILES

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I. Introduction and Purpose of Testimony

1. Q. Please state your name, business address and present position.

A. Jacqueline K. Voiles, 500 South 27th Street, Decatur, Illinois 62521. I am currently the Director of State Regulatory Relations in the Legal and Regulatory Services Department of Illinois Power Company ("Illinois Power", "IP" or "Company").

2. Q. Have you previously submitted testimony and exhibits in this proceeding?

A. Yes, I previously submitted IP Exhibits 5.1 through 5.10.

3. Q. What is the purpose of your rebuttal testimony in this proceeding?

A. I will respond to certain issues in the direct testimonies of ICC Staff witnesses Pearce, Schlaf and Borden; IIEC witness Stephens; and MidAmerican Energy Company ("MEC") witness Phillips.

II. Response to ICC Witness Pearce

4. Q. Have you reviewed ICC witness Pearce's proposed adjustment to reduce customer service and informational expenses for IP's pro rata share of the annual $3,000,000 assessment for the State Energy Efficiency Program?

A. Yes. Ms. Pearce is correct that the Renewable Energy Efficiency and Coal Resources Development Law of 1997 requires retail electric suppliers in Illinois to contribute to the fund based on the number of kWhs sold rather than kWh delivered. IP's contribution of $445,330 for 2000 was based on all kWhs sold to its customers and, therefore, the entire amount should not be included in the DST revenue requirement.

5. Q. Should IP be allowed to recover any of this expense from customers served on S.C. 110?

A. Yes. Illinois Power provides supply to some delivery service customers under S.C. 110 through Rider PPO and Interim Supply Service. Therefore, IP should be allowed to collect the portion of its contribution that results from supplying electricity to delivery service customers on these tariffs. In 2000, IP sold a total of 17,983,817 MWhs to its customers. Accordingly, an incremental charge of 0.0025 cents per kWh (i.e., $445,330 divided by 17,983,817,000 kWh) should be added to the charges in Riders PPO and ISS for recovery of this amount.

III. Response to ICC Witness Schlaf

6. Q. What issues raised by Staff witness Dr. Schlaf will you address?

A. I will address the following issues raised by Dr. Schlaf: 1) use of electronic signatures; 2) allowing delivery service customers to rescind their 30-day notice to return to bundled service; and 3) the length of time a customer must remain on bundled service upon returning from delivery service.

7. Q. Do you accept Dr. Schlaf's recommendation that suppliers should be allowed to use electronic signatures to satisfy the "verifiable authorization" requirements for a Letter of Agency (LOA)?

A. Assuming that Dr. Schlaf is only addressing "enrollments" in the sense of a customer contracting for service from the RES, from an operational perspective, Illinois Power would be willing to accept a program that used electronic signatures as "verifiable authorization" in a LOA.

However, as Dr. Schlaf notes, there is a legal issue as to whether this type of program would be in compliance with Illinois statutes. Assuming that it is, I also agree with Dr. Schlaf that it might be best to work out the specific details in a workshop setting rather than in this current case.

8. Q. Do you agree with Dr. Schlaf that changes would need to be made to IP's tariffs or Implementation Plan?

A. No. In my opinion, IP would not have to change its tariff in order for customers' electronic signatures to be acceptable on a LOA. IP's proposed tariff does not specify whether the LOA must include a "wet" signature (see proposed S.C. 110, Section 5B(1)(a)). However, it would probably be worthwhile to include a statement in IP's Implementation Plan that IP would accept electronic signatures for LOAs. If the Commission ultimately determines that such a statement should also be in the tariff, IP would be willing to comply.

9. Q. Do you agree with Dr. Schlaf's recommendation that all customers returning to bundled service from delivery service should only be required to stay on bundled service for 12 months?

A. No, I do not agree. As Dr. Schlaf correctly noted, electric utilities are authorized, but not required, to require residential and small commercial customers returning from delivery services to bundled service to remain on bundled service for 24 months before being eligible to return to delivery services. The Company does not view a two-year requirement on bundled service as a penalty. Moreover, the Company views this option, which electric utilities were granted in the Customer Choice Law, as part of the quid pro quo for other obligations required of the electric utility, such as the utility's obligations to continue to offer tariffed bundled services and to allow customers to return to them with little or no notice.

10. Q. Do you agree with Dr. Schlaf's recommendation that a customer who has given the Company the required 30-day notice to return to bundled service should be able to rescind its notice during the 30-day period?

A. Absolutely not. This proposal would essentially make the 30-day notice meaningless. As I noted in my direct testimony, during the 30-day period, IP may have already committed to a supply purchase to serve this customer. Dr. Schlaf states that "even if the Company does determine that it needs to purchase power on behalf of a larger-use customer (or even a large group of smaller-use customers), it is not certain that the cost of the purchase would exceed the cost of the power embedded in the Company's bundled rate." While I cannot state that Dr. Schlaf's statement is incorrect 100% of the time, I believe that it will be incorrect the vast majority of the time. Certainly, some customers will happen to choose to return to bundled service when market prices are near or somewhat below bundled rates. However, I would expect that most customers who are already taking delivery services and purchasing supply from an alternate supplier would continue to do so when market prices are below bundled rates. On the other hand, I would expect customers to return to bundled service when market prices rise above the price embedded in bundled rates. Thus, while I can not guarantee that the cost to purchase power in the market would always be more than the cost of power embedded in the Company's bundled rates, I believe that customers making rational economic decisions would make this scenario more likely than not.

IV. Response to ICC Witness Borden

11. Q. Staff witness Borden recommends that language be deleted from SC 110 that "requires retail customers to pay IP for transmission costs incurred but not paid by the customer's Retail Electric Supplier (RES)." What is your response?

A. I would first like to point out that collection of transmission charges from a retail customer taking service from a RES under S.C. 110 should be considered a last resort. Section 8.D. of S.C. 110 specifically states that "Utility shall first pursue all reasonable collection actions against Customer's RES, MSP or TSA, including initiating a claim against any bond or other security the RES, MSP or TSA has posted."

I also note that it is my understanding that, under the Customer Choice Law, "delivery services" consists of both transmission and distribution service, and are provided by electric utilities only to "retail customers." Consistent with this, a retail delivery services customer is a Transmission Customer under the OATT since the definition of Eligible Customer in the OATT states: Any retail customer taking unbundled Transmission Service pursuant to a state requirement that the Transmission Provider offer the transmission service, or pursuant to a voluntary offer of service by the Transmission Provider is an Eligible Retail Customer under the Tariff. In addition, the retail delivery services customer may receive transmission service under the OATT either directly or through a Designated Agent. Even if the Transmission Service Agent (TSA) holds the transmission service agreement in its name as the Designated Agent for the retail customer, the retail customer, as the principal, remains ultimately responsible because the TSA, as the Designated Agent under the OATT, is an agent acting on behalf of the retail customer. To avoid any confusion, I want to be clear, that notwithstanding the differences in terms, a Designated Agent under the OATT and a TSA under S.C. 110 are acting in the same capacity as the agent for the retail customer. While the OATT enables the creation of an agency relationship, this agency relationship between the retail customer/principal and the TSA/agent is clearly established in Section 1 of S.C. 110 which sets forth the availability criteria for S.C. 110. Section 1(c) states that one of the conditions for a retail customer to be eligible for delivery services is “that the Customer, Customer Self-Manager, or Customer’s Retail Electric Supplier has designated a Transmission Service Agent to act on the Customer’s behalf, and the TSA has arranged for sufficient Transmission Service to accommodate Customer’s load.” Thus, as Mr. Borden acknowledges, the TSA is an agent for the retail delivery services customer. Given this agency relationship, the OATT already gives IP authority to seek payment from a retail customer in the case of non-payment by the retail customer’s Designated Agent, i.e., the TSA. The purpose of including the provision set forth in Section 8.D. of proposed S.C. 110 is to make it abundantly clear in S.C. 110 that the agency relationship established pursuant to that rate schedule and the OATT may result in a retail customer who is responsible for the payment of transmission service charges if the customer’s RES or TSA does not pay. This result is consistent with Mr. Borden’s position that retail customers should be made aware of the liability they incur under S.C. 110. We believe the current language accomplishes this purpose by informing and educating the retail customer as to its obligations to pay OATT charges under S.C. 110. In addition, IP is also willing to explicitly cover this topic in its Implementation Plan.

12. Q. Do you have specific language to propose?

A. Yes, I believe that Section 8.D. of S.C. 110 already notifies the customer of its obligation to pay transmission charges. The first sentence is as follows:

> Utility retains the right to bill Customer for any charges billed to Customer's RES, MSP or TSA on Customer's behalf arising from Delivery Services or Metering Service to Customer, including charges arising from the provision of Transmission Services, if Customer's RES, MSP or TSA fails to pay the Utility directly for the charges.

IP would be willing to add "under the applicable OATT" after "Transmission Services." If the Commission believes customers need further notice, the Company would be willing to add an additional subsection (k) to the LOA requirements listed in Section 5.B.(1) of S.C. 110. This subsection could state the following: Customer is responsible for payment for any services received from Utility, whether billed directly to Customer or to an agent acting on its behalf, including charges for Transmission Service under the applicable OATT that are billed to Customer's TSA or RES, if Customer's RES, MSP or TSA fails to pay the Utility directly for the charges.

13. Q. Do you have any other comments on Mr. Borden's proposal?

A. Yes, I would also note that Mr. Borden only discusses the possibility of a RES default. Under S.C. 110, a TSA does not necessarily have to be a RES. In addition, under the OATT, the TSA, as the Designated Agent, is not required to be a RES. By definition in S.C. 110, a TSA "means an entity designated by Customer or Customer's Retail Electric Supplier to be responsible for arranging Transmission Service for Customer." Thus, it is possible that a TSA or a Designated Agent may not be a RES certified by the Commission.

14. Q. In support of his recommendation, Mr. Borden states, "It is unreasonable to expect retail customers, other than a select minority, to have any knowledge or expertise as to the provision

of transmission service and the associated costs and thus have little or no knowledge as to the financial liability they are assuming." Is this argument meaningful?

A. No, it is not. I expect that the majority of IP's customers do not know or understand all of the terms and conditions in IP's bundled or unbundled tariffs. However, I expect that they all understand that they are expected to pay for services they have received from IP. While a retail customer may not understand the intricacies of transmission billing or the OATT, the absence of this understanding does not relieve the retail customer of the responsibility to pay for services received. I also believe that a retail customer is more likely to read IP's delivery service tariffs or Implementation Plan than he is to review his OATT. Furthermore, I hope that customers do not blindly enter into agreements with RESs or any agents without knowing their potential liability.

15. Q. Mr. Borden suggests an alternative of full disclosure to the customer in the Letter of Agency (LOA) between the RES and its retail customer. What is your response?

A. IP would be willing to specify in its tariffs that the LOA should include the additional language I previously discussed. However, I would note that information to be included in the LOA was generally agreed to in workshops prior to the beginning of customer choice in Illinois. In addition, IP does not usually ask to see the actual LOA between the RES and customer unless there is a specific reason to request it.

16. Q. Mr. Borden gives some reasons why the solution of including additional disclosure in the LOA is problematic. Do you agree with his conclusions?

A. No, I do not agree. Mr. Borden states that this solution may be cumbersome and costly for a RES to implement. While I can understand that a RES may not want to mention the possibility of default to prospective customers, I fail to see how adding a sentence or two to the LOA is a costly process. Mr. Borden also states that this solution would somehow allow non-creditworthy suppliers to service the market. I do not understand this point either, since an LOA is an agreement between a customer and a Commission-certified ARES or another electric utility. The financial qualification requirements of the ARES certification rule (Part 451) were designed to ensure that ARESs have the financial capabilities to provide service. If Staff thinks that uncreditworthy ARESs are entering the Illinois market, Staff should seek to increase the financial requirements in Part 451.

V. Response to IIEC Witness Stephens

17. Q. What issues raised by IIEC witness Stephens will you address?

A. I will address the following issues raised by Mr. Stephens: (1) the state of development in the competitive market; (2) the cancellation provisions of S.C 24; (3) the availability of frozen bundled rates for customers returning from delivery service; (4) the level of Transformation Charges in S.C. 110; and (5) the inclusion of Factor A4c in Rider PPO.

18. Q. What is your response to Mr. Stephens' comments on the state of market development in IP's service territory?

A. Mr. Stephens begins his discussion by stating that, first, less than 2% of non-residential customers and, second, 34.4% of the eligible customer usage have switched to delivery services in IP's territory. He states that these statistics are disappointing, especially when compared to those for Commonwealth Edison's (ComEd) service territory. It appears that he obtained these figures from recent customer switching reports that are publicly available on the ICC's web site. However, ComEd's July report shows that 2.9% of the non-residential customers and 33.2% of the eligible customer usage have switched to delivery services in ComEd's service territory. It is not suprising that ComEd has attracted more attention from RESs and more marketing activity given its size, customer density and higher bundled rates. However, ComEd's 2.9% figure compared to IP's 1.4% figure does not present a significant difference, especially given the fact that IP actually has had a slightly higher percentage of its eligible usage take delivery services. The percentages of customers switching to delivery services for all Illinois utilities appear to be quite low, in part because of the large number of small customers included in these amounts. The percentages are higher if one looks at larger customers. In July 2001, for example, IP had approximately 23% of commercial and industrial customers over 200 kW on delivery services.

19. Q. Mr. Stephens is also critical of the fact that, as of the end of 2000, only 2 of the 25 IP customers above 1 MW that had switched to delivery service were taking service from a RES. Do you have any comment on this?

A. Currently, IP has nine customers over 1 MW taking delivery service from another supplier. The remaining customers that have switched to delivery service are taking PPO service from IP, which IP is statutorily required to offer on prescribed terms. While nine is not a huge number, I fail to see how Illinois Power is responsible for decisions that customers make on their own or with the assistance of an agent or consultant, as to whom their energy supplier will be. It is easy to understand that a supplier may find it difficult to beat the market value prices available under Rider PPO. More importantly, the proposals made by Mr. Stephens concerning various provisions in the Company's bundled tariffs would do nothing to change factors that may be motivating customers to the select Rider PPO over RES supply. I will address Mr. Stephen's bundled tariff proposals in more detail below.

20. Q. Do you have any other comments about the number of customers purchasing electricity from alternate suppliers in IP's service territory?

A. Yes. While I understand that Mr. Stephens typically represents large customers over 1 MW, it is interesting to note the number of customers who use less than 1 MW and who switch. Mr. Stephens apparently obtained the number of 1 MW customers on PPO from the ICC's report entitled, "Assessment of Retail and Wholesale Market Competition in the Illinois Electric Industry," dated April 2001. This same report shows that, of the 393 IP customers less than 1 MW that had switched to delivery services, only 61 (or 15%) had selected the Rider PPO option. Therefore, 332 (or 85%) of IP customers smaller than 1 MW purchased their electricity from an alternate supplier.

21. Q. What does Mr. Stephens propose be done about what he perceives to be the lack of competitive market development for large customers in IP's service territory?

A. Mr. Stephens notes only in passing that there are a variety of reasons for the low level of market development. He cites the April ICC report and the Report of Chairman's Fall 2000 Roundtable Discussions which outline some of these reasons. Without mentioning any specific reasons, Mr. Stephens states that some reasons are beyond the Commission's control while others are not. He suggests that the Commission modify the Company's bundled and unbundled tariffs to "accommodate" customers' supply options. More specifically, he wants the Commission to modify various aspects of the Company's proposed S.C. 110 rate design and make changes to the terms and conditions of some bundled tariffs.

22. Q. What are Mr. Stephens' arguments concerning the Company's rate design?

A. Mr. Stephens argues that the Company's proposed rate design is anti-competitive in that it unfairly shifts revenue responsibility from relatively smaller, low voltage customers to relatively larger, high voltage customers. Mr. Jones addresses this issue more fully in his rebuttal testimony. The modified rate design that Mr. Jones presents in his rebuttal testimony will ameliorate some of the impacts that concern Mr. Stephens.

23. Q. Mr. Stephens points to the Transformation Charges in S.C. 110 as an example of higher prices charged to larger customers. Is this a valid example?

A. As Mr. Stephens notes in his testimony, these charges are the same as those in IP's current tariffs. He also notes that the charge for customers 3 MW and above was established in an "interim" rate filing. While Mr. Jones' rebuttal testimony responds to Mr. Stephens' testimony on Transformation Charges from a cost standpoint, I would like to provide some history concerning the "interim" filing.

In its 1999 DST case, the Commission approved Illinois Power's S.C. 110 tariff with provisions that provided for an explicit Transformation Charge for customers with Distribution Capacity under 3 MW and a requirement that customers with Distribution Capacity greater than 3 MW rent or own their transformation equipment. As Mr. Jones notes, most of IP's customers over 3 MW already rent or own their transformation equipment. The Commission required these larger customers to rent or own their transformation equipment, rather than imposing a fixed charge in the tariff because the cost of transformation equipment for large customers varies considerably based on the circumstances of each customer. Earlier this year, however, an above 3 MW customer considering delivery services complained to the Commission about this requirement. The 3 MW customer asserted that IP should offer the option of providing transformation at a tariffed charge similar to the charge paid by customers under its bundled tariff. After discussions with the Staff and the 3 MW customer, IP agreed to institute the following Transformation Charge in S.C. 110 equal to the Transformation Charge in bundled tariffs: $0.75 per kW month of Distribution Capacity for loads over 3 MW. I would like to note that after IP made this filing, which was initiated in response to the concerns expressed by one customer, the customer ultimately decided to rent its transformation facilities rather than take the tariffed service.

24. Q. Mr. Stephens also notes that IP recently filed for a transmission rate increase at the Federal Energy Regulatory Commission (FERC) that he asserts would have a further chilling effect on the competitive market development for all customers. Do you have any comments on this testimony?

A. Yes. For the vast majority of IP customers eligible for delivery services and that pay a transition charge, an increase in transmission rates will lower their transition charge and have no impact on the customer's total bill. I would also note that several other members of the Alliance RTO (ARTO) have filed for rate increases. Once the ARTO is functional, IP will be required to pay higher transmission rates to provide service to bundled customers. In any event, FERC sets transmission rates at cost of service, so the transmission rates that FERC approves based on IP's recent filing presumably will reflect cost of service.

25. Q. Mr. Stephens also states that Riders ISS and PRS, as proposed in this case, are not justified and discourage customers from exercising choice. What is your response?

A. Mark Peters is filing rebuttal testimony supporting the proposed energy pricing for Rider ISS. As stated in Mr. Jones' rebuttal testimony, IP is withdrawing the pricing proposal for Rider PRS that was presented in the Company's direct case. Instead, Rider PRS will essentially have the same language that is currently in Section 13 of S.C. 110 that allows customers to place part of their load on delivery services while leaving the remaining load on the applicable IP bundled tariff.

26. Q. Mr. Stephens encourages the Commission to change provisions of S.C. 24 and Rider S which he claims limits customers' ability to test the competitive market. What is your response?

A. First, it is my understanding that IP's bundled tariffs, including S.C. 24 and Rider S, are not at issue in this docket. Second, although the IIEC has made similar proposals in previous dockets since the enactment of the Customer Choice Law (i.e., that the Commission should order changes in provisions of S.C. 24 relating to contract term), the Commission has not accepted IIEC's proposals. Third, as I noted earlier, removing the contract term and notice provisions of S.C. 24, or allowing delivery services customers to return to Rider S, may encourage more customers to leave bundled service to try delivery services, but it does absolutely nothing to encourage customers to choose an alternate supplier over Rider PPO, which appears to be a major concern for Mr. Stephens.

27. Q. What is your response to Mr. Stephens' recommendation to change the notice requirement to cancel an S.C. 24 contract and to eliminate the primary term requirement for a customer wanting to return to S.C. 24?

A. Mr. Stephens states that an S.C. 24 customer must give its termination notice 12 months prior to ending an S.C. 24 contract. This provision is found in Section 4(b) of S.C. 24. He further states that a prudent customer would not cancel its S.C. 24 contract not knowing what competitive options are available in twelve months. However, Mr. Stephens has neglected to mention that IP agreed to permit an S.C. 24 customer outside its primary term to rescind its 12-month cancellation notice at any time prior to 60 days before the effective cancellation date. IP agreed to allow this option following discussions with the IIEC in early 2000. Thus, IP would allow an S.C. 24 customer outside its primary term to give the 12-month notice to cancel service under S.C. 24, but then allow the customer to rescind that notice any time within the ensuing 10 months and remain on S.C. 24.

Mr. Stephens is also correct that customers selecting service under S.C. 24 are required to commit to a five-year primary term. Mr. Stephens fails to mention that S.C. 24 is an optional tariff available to customers over 1 MW. Any customer taking service on S.C. 24 could have taken service on S.C. 21, which does not require a five-year primary term. S.C. 21 only requires a 30-day cancellation notice. On S.C. 24, customers receive substantially lower energy charges than they would on S.C. 21, in return for guaranteeing a certain amount of energy usage and for agreeing to a longer primary term. The 5-year term and the guaranteed energy provision of S.C. 24 are the provisions that the customer must accept in exchange for a discount from the energy charges in S.C. 21. Under Mr. Stephens' proposal, customers could obtain the energy charge discount under S.C. 24 without having to accept all of the other obligations under this tariff. Furthermore, changing the provisions of S.C. 24, as proposed by Mr. Stephens, would increase the likelihood that customers on S.C. 21, who would have never considered S.C. 24 under its existing terms and conditions, would find it very attractive compared to S.C. 21. Making S.C. 24 more attractive to more customers is only likely to make it more difficult for alternate suppliers to find customers willing to switch to delivery services.

As I indicated earlier, IIEC raised this same issue in IP's 1999 DST case, but the IIEC position was not accepted; the order stated that "the Commission will not decide whether the term limitations of S.C. 24 are reasonable in the context of this docket." In addition, in the 1999 DST case, IP agreed to allow S.C. 21 customers to terminate their primary term on 30-day cancellation notice requirement. IP also agreed to change our tariff to reflect this (S.C. 21 (4)(c)). IP's agreement to that change, as well as its subsequent agreement to allow S.C. 24 customers (who are outside their primary term) to rescind their 12 month notice to cancel service on S.C. 24 at least 60 days prior to the scheduled service termination date, demonstrates that IP has already made revisions to the term provisions of its bundled tariffs to assist customers wanting to experiment with alternate supply options.

28. Q. Mr. Stephens believes that IP should allow customers to return to the interruptible service (e.g., S.C. 30 and Rider S) that they previously cancelled, even though this service is not available to new customers. What is your response?

A. The Company has long made it known to its customers that once a customer cancelled its interruptible service, these tariffs were closed and that the Company was essentially phasing these rates out. These interruptible rates were closed and are being phased out because IP does not need interruptible load. Thus, the number of customers on these tariffs has steadily decreased since they were closed to new customers in the early 1990s. Many of these customers chose other firm tariffs with the understanding that they could not return to interruptible service. Other customers previously served on these tariffs have already switched to delivery services. There is no more basis for allowing customers who cancel interruptible service to return than for allowing customers who cancelled this service years ago to return. Interruptible customers should not get a "risk free try" at the competitive market while Illinois Power provides a "safety net" of interruptible rates that have been closed for 10 years.

29. Q. Why does Mr. Stephens oppose the inclusion of Factor A4c in Rider PPO?

A. He says he opposes the inclusion of Factor A4c because of uncertainty as to the terms of future energy imbalance provisions for transmission services as IP prepares to become a member of the ARTO. He correctly notes that IP's proposal would have no impact based on the current energy imbalance provisions in IP's OATT since Factor A4c will be zero based on those provisions. However, he recommends that, at the time Factor A4c becomes positive due to changed circumstances, IP should be required to request the Commission to implement a change.

30. Q. Is there really any reason to wait?

A. No. IP is specifically prohibited from charging Rider PPO customers for energy imbalances. However, the transition charge formula includes a credit for energy imbalances based on the theory that customers taking supply from a RES will be subject to energy imbalance charges. IP's proposal simply seeks to offset any such credit in the TC formula; the credit should not be given to Rider PPO customers that are not subject to energy imbalances. By adding Factor A4c to Rider PPO, IP is attempting to implement a mechanism to accomplish this offset.

31. Q. Under Mr. Stephens' proposal, what would happen if Factor A4c becomes positive in the future?

A. If Factor A4c becomes positive, PPO customers would receive a positive credit for imbalance charges in the calculation of their TCs. Essentially, this would reduce the price of service under Rider PPO further as compared to RES' market prices. Moreover, customers would have another disincentive to using RESs, further restricting the development of a competitive market.

VI. Response to MEC Witness Phillips

32. Q. What issues raised by MEC witness Phillips will you address?

A. I will address the following issues raised by Mr. Phillips: (1) the requirement of a billing agreement for parties billing IP's customers; (2) splitting customers' bills between gas and electric service; and (3) the payment period for residential customers receiving the Single Bill Option from a RES.

33. Q. Mr. Phillips states that IP should not require an entity seeking to bill customers for utility service to sign an agreement as required by Section 6(u) of the Company's Standard Terms and Conditions. As an alternative, he recommends IP require an agreement similar to ComEd's proposal for General Account Agents. Do you agree with Mr. Phillips conclusions?

A. No, I do not agree. I believe Mr. Phillips confuses, (1) a billing agreement between a utility and a billing agent with (2) an account agent agreement between a customer and an agent wanting to act on the customer's behalf.

Section 6(u) of the Company's Standard Terms and Conditions requires that any entity seeking to bill customers for services provided by IP sign an agreement with IP that governs the remittance of amounts owed to IP, including Instrument Funding Charges (IFCs). This requirement is the result of the Commission's Transitional Funding Order for IP in Docket No. 98-0488 ("TFO"). This order explicitly requires any third party that bills IP's customers for electric service and collects IFCs to sign a contract with IP governing the remittance of IFC charges. In turn, IP is obligated to require such contracts by the terms of its Servicing Agreement with the trust that issued the TFIs. RESs performing RES Consolidated Billing are already specifically subject to these requirements under Section 7.A.(3) of S.C. 150. However, the Company has concluded that, to comply with the Commission's TFO and its Servicing Agreement with respect to billing agents, it should include similar provisions in the Standard Terms and Conditions. IP has made this conclusion because S.C. 150 applies only to RESs and it is possible that entities other than RESs may seek to bill customers for tariffed services provided by IP.

34. Q. Does IP already have an agreement similar to ComEd's proposal for General Account Agents?

A. Yes, customers must complete and submit a Notice of Agency (NOA) as notice to the Company that the customer has selected an agent to transact business on its behalf. In addition, the NOA is required of RESs if they are seeking consumption information for customers larger than 1 MW. This provision was necessary to comply with the Interim Order in ICC Docket No. 00-0494. Illinois Power's NOA is very similar to ComEd's General Account Agent agreement. Again, I would like to point out that IP's NOA and ComEd's General Account Agent Agreement provide only notice that a customer is selecting an agent. These agreements do not address an agent billing a customer for utility services. Thus, Mr. Phillips' proposal is misplaced and should be rejected.

35. Q. What is the Company's position on splitting bills between electric and gas service upon request by customers or agents?

A. The Company has had a few inquiries in the past from the Staff, RESs and agents regarding IP's policy against splitting bills of dual fuel customers upon request. IP has stated that it would be willing to split bills if the requesting party was willing to reimburse IP for its cost of issuing a second bill for the account. It is likely that such requests would be initiated by agents who are only interested in being responsible for billing the customer's electric (or gas) accounts. Since split billing would benefit the agent, the agent should pay for this service. Mr. Phillips has not proposed that the customer or its agent should be required to pay for the costs of this service. In any event, IP has not taken any steps to provide split bills because customers have not indicated sufficient interest in this service to warrant incurring the start-up costs.

36. Q. Mr. Phillips states that RESs performing the single bill option (SBO) for residential customers should have 21 days to pay residential bills instead of the 15 days listed in the tariff. Do you agree?

A. The Commission's Rules (Part 280), as well as Section 3(a) of the Company's Standard Terms and Conditions, provide that residential bills are due 21 days after being issued. Therefore, the Company will revise Section 7.A.(3).(f) of S.C. 150 to provide a 21-day period for bills for residential delivery services customers.

However, I would note that the 21-day payment period will not override the RES's obligation to remit IFC payments. Appendix 2 to S.C. 150, Section 2, contains remittance requirements for any entity billing and collecting IFCs on behalf of IP. Any entity billing and collecting IFC charges must choose between option (a) and option (b) as set forth in Section 2. Option (a) states that IFC payments must be remitted to IP within seven days of receipt from the customer. Under option (a), if a RES receives payment from a customer 5 days after IP has sent the billing information to the RES, the RES must remit the IFC portion of the payment by day 12, regardless of the whether the customer is non-residential or residential and is otherwise subject to a 15- or 21- day remittance period. Option (b) requires remittance within 15 days after IP provides the statement to the RES, regardless of whether the RES has received payment from the customer. Option (b), in effect, requires a RES to guarantee payment of its customers' bills. To date, no RES has selected this option.

37. Q. Does this conclude your prepared rebuttal testimony?

A. Yes, it does.